EXPLAINING NATIONAL VARIATION IN THE USE OF MANAGEMENT CONSULTING KNOWLEDGE: A FRAMEWORK

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Abstract

The management literature frequently assumes that management consultancy is *the* predominant source of *external* management knowledge for organisations. However, its use is invariably confined to a few Western, developed economies. Such variation is rarely acknowledged, let alone explained. In this conceptual article, we draw on diverse literatures to explore what drives national variations in consulting usage. To achieve this, we develop a basic framework of influencing factors and apply it to the Japanese context. We conclude by explicating how our analysis has a wider application with respect to other knowledge sources in comparative studies.

Key words: Management consultancy; cross-national variation; comparative analysis; management knowledge; external knowledge sources; Japan.

Introduction

Management consultancies, organisations which specialise in providing organisational and managerial advice and 'solutions' to clients, are often assumed in management studies to be a predominant source of external knowledge. Indeed, Fincham and Clark noted back in 2002 how 'few people…will have avoided the effects of some kind of consultancy-led initiative' (2002:1). Similarly, at the conceptual level, consultancy is routinely presented as a key actor in management knowledge systems (e.g. Engwall et al, 2016; Suddaby and Greenwood, 2001). The occupation is represented as omnipresent in a variety of perspectives on organisations, professions, elites, public policy and capitalism (e.g. Thrift, 2005; Hodge and Bowman, 2006). Yet, management consultants only feature heavily in a few developed, Western countries (Source Global Research, 2016; IBIS World, 2017).

Despite the growing literature on consulting, international variation in management consultancy usage has yet to be explored adequately. Indeed, national contexts more generally are invariably ignored (c.f. Kipping and Engwall, 2002). Theoretically, transaction-cost perspectives on consulting focus on the calculative choices that client managers make between internal and external sources of knowledge while social embeddedness approaches highlight the importance of networks (see Armbrüster, 2010). Yet, the question of *which* source of external knowledge is used requires an understanding of the historical, institutional and structural emergence of sources of knowledge in different environments. As Kipping and Wright (2012: 165) note:

> ‘There is a surprising lack of research on the role of consultants in context, be it national or global. While there are studies examining the evolution of consultancy and its role within a given country, these analyses have remained largely descriptive and do little to identify, let alone compare, cross-national differences’.

This article explores *what drives national variations in the use of consulting?* In doing so, it problematises the predominantly Anglo-Saxon normalisation of consulting use in extant literature.

The dearth of comparative studies of consulting led us to examine studies that explain national variation in the use and adoption of management *ideas, innovations and practices* (hereafter ‘practices’). These studies are especially relevant, given that consultants often drive the adoption of such practices, and purchasing external management advice can be seen as a management practice in itself. However, the selected studies did not focus on consulting, and its use is different from most other management practices in being intimately connected with their production and adoption. Therefore, we also included sources from a wide range of domains, including geography, sociology, policy, innovation and the professions, which specifically examine consultancy use. We subsequently integrated these insights into a basic multi-perspective framework capable of explaining why consulting use varies internationally.

The article is organised as follows: we first elaborate on the extent of national variation in consultancy usage. We then examine literature on national variations in *management practices* and induce drivers, such as the economy, state and culture, to explain such differences. These subsequently structure our discussion of national variations in the *demand and supply of consultancy* and serve as the basis for our framework, which is illustrated via the case of consultancy use in Japan. Our study is potentially important because it provides a novel explanation of why consulting usage varies internationally and de-naturalises the assumption that consultancy is a universal preferred source of management knowledge.

International variation in the use of consultancy

Management consultancy is often portrayed as a global phenomenon, due to the number of offices of international consulting firms situated in national and transnational business and government centres (e.g. Momani and Williams, 2017). However, this masks the extent of consulting *activity*. A more useful indicator is fee income, although this too is imperfect and does not necessarily equate with influence (Hodge and Bowman, 2006)[1]. An initial analysis of fee income regionally shows that consultancy usage is far from universal (Table 1).

Table 1. 2015 Regional share of consulting revenues (Source Global Research 2016).

Region	2015 [$bn]	% share
North America	59.1	47.6
Europe	36.8	29.6
Asia Pacific	17.0	13.7
Central & South America	6.0	4.8
Middle East	3.0	2.4
Africa	2.3	1.9

The regional concentration of usage is reflected in the fact that 78% of all management consultancy revenues come from North America (48%) and the European Union (30%) (Source Global Research, 2016). This partly obscures an even greater concentration at a *national* level, as nearly three-quarters of European consulting revenues stem from three countries (Germany, UK and France) (FEACO, 2017). Thus, along with the USA and Canada, *70% of consultancy fees worldwide are generated in only 5 nations* - a much greater proportion than their share of global GDP (33%). It is worth noting that this partly conceals the exporting of consulting, from

[1] Consulting industry figures vary with respect to the methodologies of the studies. Nevertheless, given that each source uses a consistent method of data collection in different countries, the figures do shed some light on *variation* in consulting use.

the USA especially, and that the proportion has decreased from 80% in 2008, reflecting the relatively low growth of Western consulting markets compared to that in developing countries. However, this national concentration does not simply reflect a divide between users and non-users. Rather, as we shall see, there is considerable variation between individual nations, even among high-user countries.

Patterns of overall use at a national level both hide and are shaped by differences *within* countries, concerning the type of consultancy used. For example, spend on IT strategy consultants constitutes 32% of all consulting work in the UK but only 4.6% in the US (IBIS World 2017). There is also considerable variation between sectors buying consulting services. For instance, the proportion of national consulting spend in the public sector in Europe ranges from 43% in Greece to 5% in Portugal (FEACO 2017).

In short, whilst there is occasional recognition of national variation in consulting usage, 'little research has been conducted on this topic outside the major economic centres of the United States and Europe' (Wright and Kwon 2006: 356). Our review of management literature produced only a handful of articles that address the topic directly (i.e. Kipping, 2002; 2003; Kipping and Wright 2012, Mohe 2008, Pemer et al. 2014a), and even then, they tended to focus on a singular explanation (e.g. culture) or reiterated the research gap. To address this, we seek to integrate a broad range of literatures to examine *what drives national variations in the use of consulting*. We start by inducing five drivers of cross-national variation in management *practices* from a variety of studies, before exploring how these might illuminate variations in the demand for, and supply of, consulting services. We conclude by illustrating and testing our framework through a brief exploration of consulting use in Japan.

The macro-context: why management practices and ideas vary internationally

Several fields of literature have examined the factors shaping management *practices* nationally. There is insufficient space to address this work fully here. However, some studies seek to integrate different drivers of international differences in practices, whilst most focus on one factor. We examine the former to identify those drivers most commonly identified as influencing national variations, and then use examples of the latter to expound the main themes within each driver. The caveat to this précis is that 'countries embark on different trajectories depending on a complex set of variables that is very difficult to reduce to simple principles' (Guillén 2001: 15).

Integrative studies

Numerous studies across different fields integrate various drivers to understand national differences in management practices. Almond and Menendez (2014) identify three main approaches within extant literature. The first two emphasise *economic/*material factors and *cultural/ideological differences*, whilst the third concerns *institutionalist* accounts of the state, education, trade unions and professions. This latter approach resonates with what Jackson and Deeg (2008) term the 'comparative capitalisms' literature, which seeks to explain national (or regional) institutional configurations. Hall and Soskice's (2001) influential work that traces interactions between firms and institutions, identifies six themes through which national co-ordination problems are tackled: industrial relations; vocational training and education; corporate governance; inter-firm relationships; employee relationships; and a nation's 'common knowledge and culture' which helps define national norms of governance. Similarly, although with a different emphasis, Whitley's (2007) analyses of *business systems* highlights national differences in trade and industry associations, industrial relations, public policy, education and financial systems generating distinctive business competences for each country's organisations.

Approaches that encompass *economic*, *cultural* and *institutional* factors provide the basis of a broad comparative framework. However, they invariably focus on the nation, sector and relationships, rather than management practices within organisations. More relevant for our purposes is the integrative, comparative and historical approach by Guillén (1994), which focuses on the active adoption of management practices (e.g. scientific management and human relations) in different countries. Guillén sees the emergence of organisational *problems* in nations as deriving largely from political and economic factors (economic ideology, the competitive climate, organisational size and labour relations). Contrastingly, the demand for *solutions* is shaped more institutionally, consisting of a cultural dimension (elite mentalities), the support or resistance of employees, and the role of the state as a regulator and supporter of ideas. Guillén also stresses the importance of professions, in showing how they co-exist or compete for services (1994), whilst his later (2001) analysis also emphasises elite and technical education in producing different organisational forms. However, none of these integrative approaches concern consulting specifically. Even Guillen's work focuses on adopting ideas, not the specific source or *medium* of ideas. Indeed, he calls for further study into 'the relative strength and influence of different professional groups in each country' (1994:26). `

Overall, integrative studies of management practice adoption reveal five inter-linked and over-lapping factors driving national differences. As noted already, at the most general level, these comprise *economic, cultural and institutional* factors. Whilst the latter vary according to purpose, context and period of history, they broadly correspond to the *state, organisations and their diverse relationships and education* (see Table 2).

Single driver studies

The identification of five key drivers of national variations in management practices arose primarily from our analysis of those studies that integrated different perspectives or approaches, allied with the many studies examining specific factors. In this section, we selectively draw from such research to illustrate the relevance of our framing.

Both *economic* and *state-based* explanations for national variations in management practices dominated in the early twentieth century. Concerning the former, early proponents of 'development theory' proposed a teleology by which the economic and industrial practices of nations evolved along a continuum of economic development (Dore 1990). More recently, contingency and resource-based theorists posit that certain management practices and organisational forms are varyingly successful in different economic contexts, due to GPD, economic cycle, investment and ownership patterns (Ateljević and Trivić 2016).

In contrast, 'modernization theory' in the 1950s and 60s emphasised the role of the state in generating different national routes to post-war reconstruction (Hood et al. 2010). Studies have hitherto examined the impact of different forms of government on management practices (Thrift, 2005) and the different levers that the state can operate. For example, they have shown how the financial powers of the state (e.g. control over capital flows) or activity in the public sector (e.g. New Public Management) affect the types of management practices adopted (Schonfield 1966). States have also been shown to influence the dominance of different groups and professions through regulation (or its absence), which supports their preferred practices (e.g. Abbott 1988). This impacts not only on who can use different forms of organisational expertise, but also the systems and norms of education that produce such specialists (Brint 1994) (see also '*Education'* below).

In the 1980s, the concept of national *culture*, popularised by Hofstede (1980), was commonly depicted as a driver of various national management practices and the adoption of different management ideas (Waarts and Van Everdingen, 2005). Aside from using statistical (and static) measures of national culture, the concept has been also defined as 'unique national institutions, cultures, and histories' (Sergi and Hallin, 2011: 199). Here, culture combines elite mentalities, economic ideology, religious tropes and educational norms which shape values and practices in the workplace. Others have emphasised the regional nature of cultures, specifically the religious differences between Northern and Southern Europe or the shared cultural heritage of colonizers and their former colonies (Ibarra-Colado 2016).

Allied with *economic*, *state-based* and *cultural* drivers of national variation is the impact of *organisations and their relationships* on the nature of management practices (Battisti and Stoneman, 2010). Internally, the size and type of organization has an influence on its practices (Steers et al. 2010), as do forms of employee representation, as unions frequently resist/modify management innovations (Heyes and Rychly 2013). Externally, the concentration of organisations also has an effect. 'Clusters' of similar organisations not only share management expertise and knowledge more effectively (Crouch, 2001), but also build institutions or associations to stabilise and promote such work (OECD, 2001). Studies thus show how industry associations, centres of expertise and geographical clusters impact on firms' ability to share and adopt management practices (Cole, 1985).

Finally, and again, connected to the other drivers, research has examined the impact of national *education* systems on management practices. This is especially evident in historical studies (e.g. Witzel 2016) where the control and influence of education (e.g. by factory owners, religious orders or communities) is revealed as nationally diverse. More recently, literature on international variations in management stresses the colonizing effect of US higher education on management styles around the world, especially the MBA and business schools, which are linked to US style management practices (Khurana, 2010).

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Table 2 Macro-level influences on national variations in management or organisation: mapping integrative frameworks

	Sample studies	**The economy**	**The state**	**Culture and ideology**	**Organisations and their relationships**	**Education**
Integrated frameworks on national variations in management and organisation	***Hall and Soskice (2001)***	Corporate governance; financial investment	State intervention in the economy; business law;	Common knowledge and culture	Employee relationships; industrial relations; inter-firm relationships;	Vocational training and education.
	Whitley (2007)	Financial systems	Public policy	Cultural homogeneity; normalisation of governance structures;	Trade and industry associations; industrial relations	Education
	Guillen (1994; 2001)	Economic ideology, the competitive climate	State regulation; state structures.	Elite mentalities; culture; traditions and ideologies;	Employee support and resistance; professional cooperation/competition; labour relations; organisation size	Elite and technical education.

The use of management consulting

We have induced and illustrated five themes commonly used to explain variation in international management *practices*. We now deploy these specifically for consultancy use. Here, we also apply a distinction between producer-driven (push) and buyer-driven (pull) linkages in the global economy (Guillen, 2001). This supply and demand approach helps to ensure an active or agentic conception of the different participants, which is not always evident in institutional accounts of national variation in practices (see critiques in Tempel and Walgenbach, 2007; Marano and Kostova, 2016). It also allows us to draw connections with wider, indirect influences on demand and supply, especially alternative or complementary purveyors of management knowledge.

Pull: Demand-side drivers for international variation in the use of consultants

Economy

Consultant demand is commonly represented in economic terms as a rational response to the complexities of globalisation, technological change, growth and regulation. Armbrüster (2010:55) uses transaction-cost economics to argue that the complexity that accompanies economic development leads to more 'one off tasks that are dissimilar to each other and dissimilar to client operations… which would explain why the consulting sector has grown' (also Ernst and Kieser 2002: 51). Indeed, more generally, economically developed countries spend much more on consulting than less 'developed' countries, as a function of both wealth (UNCTAD, 2002) and the frequent presence of larger and more complex organisations (Kipping and Armbruster, 1999).

Yet, we cannot assume that the stage or pace of economic development wholly ‘reflects the development of the management consultancy profession’ (c.f. Vieira, 2003:466). Indeed, a weighting of different countries’ spend on consultancy by GDP shows that even when a country’s economic development is adjusted for, there remains significant differences in spending (Table 3). Whilst the high spenders on consulting are undoubtedly economically developed countries, not all developed economies are big buyers (e.g. Italy). Simultaneously, we see high usage among countries that Hall and Soskice (2001) identify as possessing contrasting forms of capitalism (e.g. Germany and the UK), which suggests that varieties of capitalism is not necessarily a key differentiator (see also Campbell and Pederson, 2014). Similarly, Momani and Williams (2017) show that ‘the economic and population size of [international] *cities* alone do not explain the observed spatial variation in [the numbers of] offices’ of multinational consulting firms (p.14, emphasis added), thereby showing economic factors do not fully explain usage differences.

Table 3. GDP-weighted spending on consultancy in 2005

Country	**Consulting Revenue[2] (bn)**	**GDP (bn)[3]**	**Consulting spend / GDP**
USA	112.50	13094.79	0.86
UK	19.40	2321.84	0.84
Germany	18.50	2767.30	0.67
Japan	20.40	4572.81	0.45
France	8.40	2137.36	0.39
Italy	2.60	1786.07	0.15
China	2.34	2256.70	0.10
India	1.49	834.05	0.18
South Korea	1.64	844.20	0.19

We should note that a large number of consultants are engaged on ‘economic restructuring’ or ‘development’ projects, especially with the World Bank and IMF, who use such transformations as a condition for loans (Cooke 2004; UNCTAD, 2002). However, much of this activity is hidden from national management consultancy statistics and this may partially

[2] Source: Datamonitor (2008)

[3] World Bank Figures. 2005. Available at: http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?page=1

inflate the apparent concentration of activity in the West, as consulting revenues in developing countries generally flow back to offices in the US or UK especially (Boussebaa et al, 2012).

The state

Another potential explanation for national variation in consulting demand relates to political governance and direct purchasing of consultancy by the state. In the UK, for example, governments increased consultancy usage in the public sector, in part due to resistance towards new knowledge and reform from the Civil Service (Saint-Martin, 2004). Demand is also fostered by government policies such as New Public Management (NPM) and Brexit (Cornish 2017), as well as more direct subsidies for consultancy use by start-ups. However, regime change and adverse publicity can lead to governments *curbing* public sector spending on external consulting (Pemer et al, 2014b). Governments also influence consulting demand by constraining and enabling purchasing practices by public sector organisations (Radnor and O'Mahoney, 2013). Moreover, recently, the Chinese government for example, discouraged organisations from working with US strategy consultancies (Anderlini, 2014).

More significantly, state regulation can also fuel consulting demand *indirectly*. For example, the growth of strategy consultants in the USA was driven by the 1933 Glass-Steagall Act, which prohibited banks from conducting bankers' surveys and led to consulting firms such as McKinsey to do so (McKenna, 2006). The financial crisis in South Korea fuelled a similar, temporary demand for consulting, as the state believed they added legitimacy to reforms in the eyes of the World Bank and IMF (Wright and Kwon, 2006). Likewise, the regulation of accounting firms has long had an impact on consulting usage as an alternative, and continues to do so.

Culture and ideology

The legitimacy of different forms, sources and intermediaries of knowledge is linked to cultural and ideological conditions, which sometimes occur nationally. For example, it is argued that the growth of US consultancies in Europe was not caused solely by increases in client complexity or environmental change, but also through the 'dominance effects' of post-war US market ideology, as well as client nation dependence for aid (Kipping 1999). However, as with the organisational level, political conditions can also have converse effects as resistance to the US origin of management ideas can reduce demand for consultants promoting them. This occurred in post-war Germany, Japan (Kipping 2002; 2003; Mohe, 2008) and even in high-use contexts such as the UK (Tisdall, 1982).

National cultural norms affect the reception of 'outside' influence, which has clear links to external consulting use. In individualist countries, such as the US, knowledge external to the organisation (if not to the USA) is often valued highly (Menon and Pfeffer, 2003) and thus using external consultants can have positive symbolic significance, including on a company's share price (Bergh and Gibbons, 2011). In more collectivist countries, external knowledge sources are often deemed less legitimate (Michailova and Hutchings, 2006) - the 'not invented here' syndrome (Burcharth and Fosfuri, 2014). Similar perspectives, notably Hofstede (1980), posit that cultural variation in managers seeking to *avoid uncertainty*, for example, can be linked to consultancy use and the certainty it can offer (Mohe, 2008). However, it is only at the general level that culture has been viewed in this way:

> 'The North – South divide *[in consulting expenditure]* nevertheless might (also) suggest some very deep "cultural" and historical factors… between the Protestant or, to go even further back in time, Germanic part of Europe, where consultancies are much more developed, and the Catholic or Roman part where they seem to have made less inroads. (Kipping and Armbrüster 1999:38).

Given the dearth of research, this observation is intriguing for challenging purely economic and political accounts of consulting demand, but only scratches the surface.

Organisations and their relationships

Linked to economic drivers, wealthier and larger organisations, especially those in complex sectors such as finance or telecoms, are typically the highest spenders on consultancy (Kennedy Information 2010). Thus, nations with large numbers of such firms are more likely to use consultants. Likewise, multinationals and their subsidiaries act as 'bridges' for consulting firms to establish a presence in a country, further spreading demand (Kipping, 1999). Such effects are reinforced by mimetic isomorphism, whereby clients with transnational networks are more likely to use consultants to adopt the 'best practices' of their competitors (Momani and Williams 2017), including consulting usage itself.

In addition to clients, related actors, such as clients' own professional bodies, have an effect. Indeed, management occupations, especially purchasing, significantly impact upon consultancy buying, not least in reducing fee rates (O'Mahoney et al., 2013). Yet, whilst it is established that procurement varies internationally, there has been insufficient comparative research on buying consulting services (Pemer et al, 2014a). There is also evidence that industrial relations are important, with employees and unions differentially resisting the use of management consultants in the public sector and elsewhere internationally (Saint-Martin, 2004). Similarly, others have shown that in Germany for example, where industry associations and government agencies acted as significant providers of management advice, the encroachment of consultancies was limited up to the late 20th Century (Kipping, 2003).

Education

The national provision of business schools, and MBAs in particular, corresponds strongly with consulting usage (Momani and Malecki, 2012). Thus, in the US/UK and other countries where business schools are highly valued, strategy consultancies specifically can better exert forms of direct and indirect power (O'Mahoney and Sturdy, 2016). This relationship can be explained through ready supplies of recruits for consultancies, and more diffusely, via clients and consultants sharing a language or mind set and thus attributing greater legitimacy to this management knowledge (Sturdy et al, 2009). The ties between business schools, publishers/media and consultancies, in the US especially, are central to 'defining management' itself as well as enabling the dominance of a *business* education for elite graduates that often draws on consultancy-type problems and solutions (Engwall et al, 2016). Similarly, in countries such as Spain, where business schools developed separately from the major universities, American style management ideas took hold faster than, say, in Italy, where business education was modified through inclusion in the state university system (Puig 2008). In 1970s and 1980s Germany, the legitimacy of non-business and non-university education for managers was consistent with the prioritisation of alternative sources of management knowledge over consultants' knowledge (Engwall et al, 2016).

Push: Supply-side drivers for international variation in consultant usage

Guillén's (2001) theorising suggests that to understand international variation in demand for management ideas, we must also consider the 'push' or supply-side processes. This is especially relevant in consultancy where considerable energy and resources are expended promoting its use and where its ambiguity in terms of content and outcomes, means that these activities are likely to be relied upon (Karantinou and Hogg, 2001).

The economy

National economic development is loosely related to fees consultants charge and, thus, firms' incomes in different countries (Source Global Research 2016). Fees vary significantly, according to client budgets and standards of living, with senior consultants charging over

£2000 a day in the UK and around £300 in India (O'Mahoney and Markham 2013). This translates into higher salaries for consultants in developed countries, but also a 'pull' of top talent from subsidiaries in developing countries to global and regional head-offices, where higher rates are charged and higher salaries paid (Boussebaa et al., 2012). This phenomenon therefore, can again, result in a slight overstatement of the geographical concentration of consultancy *activity* by fee income statistics alone.

The state

As already noted, states affect the supply of consultancies through variations in their (lack of) regulation of the industry and related activities, their promotion of competitors and their openness to influence by consultancies. Concerning regulation, (financial) barriers to entry for consultants are traditionally low, and professional status is neither compulsory nor difficult to achieve in most countries (Momani and Williams, 2017). However, there is some variation here, both temporally and geographically. Historically, compulsory professionalisation was an aspiration in the early development of consulting as firms sought to build credibility (McKenna, 2006). More recently, Canada, Austria and Germany have sought to reintroduce compulsory (state enforced) professionalisation, even though Austria is the only (partially) successful case (Groß and Kieser, 2006). Whilst such restrictions may result in fewer consultants entering the profession, recent research indicates that licencing of professional occupations results in higher fees (Kleiner and Vorotnikov, 2017).

Secondly, states often promote institutions viewed as competitors to the consulting industry. In 1980s South Korea, for example, the government 'prohibited the establishment of local offices by foreign service providers', instead encouraging local businesses to partner with overseas firms 'taking advantage of foreign technology and managerial know-how, which they then absorbed and internalized' (Wright and Kwon 2006: 360). Thirdly, some governments buy more consultancy services than they otherwise would because consultancies have previously shaped agendas and framed challenges. O'Mahoney and Sturdy (2016) show that these activities include placing consultants in senior government roles; providing 'free' training and advice which shapes policy discussions; and, of course, political funding and lobbying (see also Hodge and Bowman 2006:14).

Culture and ideology

There is limited research on how culture and ideology influence the *supply* of consulting expertise globally. It is instructive to examine the emergence and evolution of consulting in its different forms in relation to cultural contexts and connections. For example, the normative origins of 'professional' consultancy consciously mimicked occupations, such as law, accounting and the academy, to secure legitimacy (David et al 2013). More recently, management consultancies also draw on other professional cultural tropes and technocracy, along with emerging logics around American neo-liberalism, with consultants presented as capitalism's 'missionaries' or 'commissars' (Thrift, 2005). This is reflected in consultancy texts and active strategies which seek to exert influence over buyers in more direct ways (Momani, 2017). Consultancy is both a condition and consequence of prevailing ideology, in that it operates as both a servant of power and active agent or neo-imperialist, even if resistance is also evident (Hurl, 2018).

Organisations and their relationships

Consultancies, and their associated networks, are integral to creating international differences in the supply of management advice. First, the partnership structure of many consulting firms tends to generate extreme internal competition between global/regional headquarters and subsidiaries, whereby the former generate profits derived from staff in the latter (Boussebaa et al, 2012). Second, the indirect sales approach undertaken by many consultancies relies upon an historical embeddedness with a country's elite institutions– a condition that is only met in the US and a few other Western European countries (Saint-Martin, 2004). Like the state, such relationships allow firms to influence client agendas and frame issues as ones that *consultancies* can best tackle (David et al, 2013; Sturdy, 2018).

It is similar story with respect to the powerful alumni networks upon which consultancies draw (McDonald, 2013). The 'up or out' model pursued by some leading consultancies produces a cadre of able, elite and ambitious alumni in client firms that generally become more senior over time (Sturdy and Wright 2008). Thus, countries where consultancies are well established for decades have greater opportunities for sales, and other advantages stemming from the network. That is to say, variations in international consultancy usage are open to feedback or 'contagion' effects noted in innovation studies, whereby demand can feed itself through users' exposure to other actors' knowledge (Van den Bulte and Lilien, 2001). This is especially important given the reliance consulting has on 'networked reputation' (Armbruster, 2010)

Finally, consultancy exists in competition with a wider external market, including business schools/academics, management gurus, public research institutes, industry associations, thinktanks and training and other occupations (Foss et al 2013). As mentioned earlier, in Germany, alternative knowledge suppliers provided serious competition for consultancies (Faust and Schneider, 2014). However, competitive relations can also be cooperative. Tether and Tajar (2008) found that external consultants *complement* internal innovation activities, and other external sources of knowledge. Similarly, Kipping (2002; 2003) showed how, in the 1970s, German industry organisations which were once *alternatives* to consulting came to provide a *mediating* role for them, even actively recommending their use.

Education

The concentration of consulting supply also corresponds to the availability and preferences of potential recruits and their education. Given that consulting, in the large firms at least, is historically associated with young MBA graduates (David et al, 2013), the question of labour supply is associated with the location and status of business schools. In the US/UK context, business degrees and MBAs are dominant, and a natural precursor to consultancy careers. While some change is evident (Engwall et al, 2016), the continuing preference of large consulting firms for elite MBA graduates limits labour supply to a small number of countries or cities (Wood, 2003). National differences also influence the choices of ‘good’ graduates. In the US/UK, consultancies have long ranked high as a preferred graduate employer, whilst in France, the *Grandes Ecoles* prioritise engineering and civil service careers (O’Mahoney and Markham 2013).

Summary

Following our identification of five themes commonly used to understand international variation in management *practices*, we subsequently used diverse literatures to explain the varying *demand and supply of consulting services* globally. These insights helped us generate general observations or specific hypotheses concerning the impact of push and pull drivers on consultancy usage (summarised in Table 4). However, three caveats must be emphasised. First, these hypotheses reflect underlying tendencies that may sometimes cancel each-other out and, therefore, may not have clear empirical manifestations. Second, such tendencies are context dependent (such as economic recessions or negative publicity) and should be understood as having an effect only *ceteris paribus.* Finally, the hypotheses should not only be read as unidirectional (for example, more consultancies *cause* more MBA students).

Table 4. Hypothetical 'Push / Pull' drivers for national variations in management consulting use

	Influence on pull factors	Influence on push factors
Economy	1. Countries with many large and/or profitable businesses are able to afford more consulting services. 2. Countries hosting more globalised, complex and/or innovative organisations will use greater levels of external expertise (see also 19). 3. Countries initiating (or subject to) complex restructuring (e.g. privatisation, post-war reconstruction, deregulation) will require greater levels of external expertise (see also 7). 4. Countries with long-term investment strategies will focus on developing internal assets rather than outsourcing.	5. The higher the average fee rate, the greater revenue per consultant is expected.
State	6. States initiating radical public sector reforms (e.g. New Public Management) are more likely to use consultants in public sector.	9. Greater barriers to entering into consulting profession will result in fewer consultants, but potentially higher fees (see also

	7. States facing or initiating radical societal changes (e.g. Brexit; financial crises) are more likely to use consultants in central government (and increase consulting use in wider economy – see also 3). 8. Governments with coherent service sector purchasing strategies will pay lower consulting rates than those without.	30). Barriers to competing organisations (e.g. banks, auditors) will have the opposite effect. 10. Greater competition between consultancies and state-sponsored knowledge-sharing institutions is likely to result in smaller consulting market (see also 22). 11. Greater openness of the state to influence from consultancies (e.g. on government boards), the more public sector consulting is expected.
Culture and ideology	12. Countries with strong (positive) cultural and political engagement with the US are more likely to use management consultants. 13. Countries with high levels of individualism more likely to use management consultants than countries with high levels of collectivism. 14. Countries with strong neo-liberal ideologies are more likely to use management consultants.	15. The greater the institutional embeddedness of consultancies in a nation, the greater likelihood of higher revenues (see also 26). 16. Higher involvement in development and overseas work will result in greater revenues for consulting firms.

Organisations and their relationships	17. Countries with wealthier organisations and sectors will spend more on consultants (see also 1). 18. Countries with organisations facing unique, complex challenges are more likely to use consultants (see also 2). 19. Countries with more clients that are subsidiaries of Western multi-nationals are more likely to use consultants, due to 'bridging' effects (see also 2). 20. Countries with more organisations with centralised and developed purchasing departments will pay lower consulting rates than those without (see also 8). 21. Countries with lower levels of unionisation will spend more on management consultants. 22. Countries with more industry associations, government knowledge-exchange programmes, and intra-company exchanges will spend less	23. Countries hosting consultancy head-offices for consultants will tend towards higher revenues. 24. The greater each country's use of overseas subsidiary consultants, the greater revenue to be expected (e.g. PWC UK using PWC India consultants). 25. Institutionalised involvement of consultancies in agenda setting institutions, such as think-tanks, conferences and client boards results in greater consulting use. 26. Greater presence of consulting firms and/or their promotion activities and established networks with potential clients will lead to greater use (due to contagion effects).

	on consultancy when such bodies compete directly with (c.f. broker) consulting firms.	
Education	27. Countries with US-style business schools and large MBA programmes are more likely to spend more on consultants. .	28. Greater numbers of MBA students and business schools likely to be associated with more national employment of consultants, and greater revenues. 29. Where consultancies have a strong reputation with graduates, greater usage is expected. 30. Compulsory professionalisation may result in fewer consultants, but higher fees.

An illustration: Japanese use of management consultants

Having developed a basic framework and articulated it at a general level in terms of hypothetical claims, we now illustrate its utility by applying it to consultancy use in Japan. We reiterate that the case is not meant to 'test' the hypotheses, but to illustrate how they might work and interact in practice (numbered hypotheses in Table 4 are referred to in square brackets in the text below). We chose Japan, not only because there is some, albeit limited, data about the country's consultancy usage, but because it is unusual both economically and geographically, and is changing. For a developed, mature economy, with thriving high-tech, banking and media sectors, it spends approximately half of the UK or US on consultants when adjusted for GDP (Table 3). Yet, in the context of Asia, Japan is a comparatively big spender, $25bn in 2015, compared to $4bn in China (Source Global Research, 2016). Japan also has an unusual weighting for consulting disciplines, with a greater proportion of fees dedicated to operations management and HRM, and relatively little on corporate strategy (Table 5).

Table 5. Management Consultancy Sector Proportions 2015 (MarketLine, 2015)

	Operations Management	**Information Technology**	**Corporate Strategy**	**HRM**	**Other**
Germany	35.0%	29.9%	16.7%	7.4%	11.0%
UK	46.0%	20.6%	11.0%	10.3%	12.1%
France	65.7%	9.8%	9.0%	3.5%	12.0%
Japan	28.6%	29.4%	5.4%	25.0%	11.6%

Economy

Japan has a GDP of $5.4tn (4th globally) and a GDP per capita of $47,082 (comparable to the UK and France) [1]. In the IMF ranking of financial liberalisation, a loose measure of neo-liberal policies, Japan has a middle ranking of 0.86 (similar to Norway), well below most of Western Europe and the USA (1.00) (Abiad et al. 2008). Hence, Japan is characterised as a model of ‘co-operative capitalism’ rather than the US/UK form of neo-liberalism (Schaede 2000) [14].

Japan is also home to some of the world’s largest and advanced automotive, electronics and telecoms multinationals, is a strong exporter of manufactured goods, and is ranked as one of the most innovative countries [1; 2; 18]. Thus, Japanese industry not only faces complexities that require external management advice, it is able to afford the rates of top consultancies (typically 15% lower in Japan than W. Europe or the USA [19]) (Kimble 2015). Moreover, Japan has faced significant economic reforms, both in the post-war period and the post-2012 structural reforms of Shinzō Abe [3]. Conversely, some sectors which traditionally spend more on consulting, such as banking and finance, are proportionally smaller in Japan than the US/UK [17].

Financing, long-term servicing of debt by credit banks and government bonds (rather than the stock market) meant that large Japanese companies tended towards long-term strategic investments, where company assets - including management - are invested in rather than outsourced (Hata et al. 2007) [4]. In entrepreneurship activities too, the majority of venture capital is provided by banks and insurance companies through loans, rather than individuals in the US (Sako 2007). The former arrangement is less likely to involve consultants being ‘foisted’ on entrepreneurs by fund / stock owners.

The state

The post-war Japanese state rebuilt and improved domestic industry, supporting many institutions still in evidence today [3]. As ‘higher academic institutions were neither willing, nor equipped, to deal with (US management knowledge) by way of graduate schools’ (Nishizawa 1998: 88), the Japanese government worked with large businesses to develop a number of institutions to ensure ‘best practice’ management techniques were disseminated [10; 22]. These included productivity and management development institutes, which often substituted for consultancies in providing management training and advice on manufacturing improvements. Indeed, the US expertise that rebuilt and modernised Japanese manufacturing in the 1950s came not from management consultants, but from government supported institutions such as the *Japan Human Relations Association* (Kuokkanen and Seeck, 2009). Whilst the state’s role has changed, it still provides long-term financing for industry investment, such as ‘corporate revival funds,’ provided in the UK by venture capital or stock market investors that often insist on management consultants [4].

The Japanese state is a low-user of management consultants (Shigeki 2003), perhaps because its attempts at public sector modernisation were limited, and because it focused on cost-cutting [6; 11]. Radical changes made by the state in the 1990s due to low growth primarily focused on macro-economic levers affecting the private sector, rather than major internal changes (Masaharu 2003) [6]. Thus, although all the major consulting firms have a Japanese presence, their respective Japanese websites reveal little public sector engagement, and virtually no central government work. PWC Japan, for example, lists several links for its services, but the “Government and public sector” link is dead (compared to dozens of cases, services and reports for its UK site)[4] [11]. In terms of regulating the consulting market, the Japanese government has a similar approach to the UK/US with no compulsory registration or examination for consultants [9; 30].

Culture and ideology

The characterisation of Japan as a highly collectivist, risk-adverse and long-term orientated society is borne out in much quantitative (House et al. 2004) and qualitative research (Yoda and Harootunian, 2006). The strong collectivist bonds in Japanese society are mirrored in some large companies through strong group cohesion (Miroshnik and Basu, 2014), meaning that outsiders, especially foreigners (gaijin), are often distrusted (Kashima and Kashima, 2003) [13]. Indeed, Kipping (2002) argued post-war consultancy was perceived as a foreign, US invention which struggled to establish itself [12]. However, we should not overplay the strength of insularity in Japan, as its industrialisation was driven through adopting foreign models, albeit not consulting (see Westney, 1986). Collectivism also translates into a form of consensual decision-making, *ringiseido*, which is supported by frequent reporting, touching-base and discussion, known as *hourensou* (Samovar et al., 2011). It would traditionally have been anathema for companies to seek outsiders’ advice on strategic decisions, which perhaps helps explain its continuing low spending on strategy consulting (see Table 5) [12; 13].

[4] https://www.pwc.com/jp/en/industries.html Accessed 27.02.18.

Organisations and their relationships

A notable feature of the Japanese economy is that, until recently, it was *comparatively* closed to Western influence (Jackson and Moerke, 2005). Levels of foreign investment are much lower than Western countries, whilst a 'liability of foreignness' means it is difficult for multinationals to acquire Japanese firms (Morgan 2012: 23) [4; 19]. The inwardness of Japanese industry was long reinforced by the *keiretsu* system of firms, connected through sharing financial, knowledge and governance arrangements (Learmount 2002), which might mitigate the aforesaid 'contagion' or 'bridging' effects of foreign multinationals [19; 26]. Such complexities encourage *intra*-company exchanges of management expertise without relying on outside sources, such as consultants [22]. Yet, these arrangements shifted post-1990s, Kipping (2002) argues, as increased Japanese openness to Western investment and the challenges of shifting from seniority to performance-based careers, increased consultancy usage, especially HR consulting [19].

Japanese firms are then, more likely to turn to knowledge institutions shared with the government, universities, their supply chains and *keiretsu*, and even trusted competitors, than (especially Western) consultancies (Kipping, 2002) [22]. This internal focus is mirrored by HRM strategies of large Japanese firms that stress 'a long-term relationship between the corporation and its employees… the importance of firm-specific skills….and in-house training' (Abe and Hoshi 2007:259) [4]. For example, parent companies frequently undertake employee transfers (*shukko*) to suppliers to improve the quality or cost of their parts (Nonaka and Nishiguchi, 2001). Consequently, when facing a shortage of management expertise, firms are more likely to recruit for, or train, internal resources than look externally (Ichniowski and Shaw, 1999). Indeed, Japanese companies spend 3% of their turnover on training (primarily in-house), six times that of the UK (Storey 2014). It is this greater spend on personnel activities, allied with the expertise required to manage this effort, that we argue, paradoxically, contributes to the relatively high Japanese spend on HR consulting (Table 5).

Consulting firms are new to Japan, and there are few 'home grown' consultancies; indeed, none of the biggest 50 firms have headquarters in Japan [15; 25; 26]. The few that *do* exist, such as Fujitsu Consulting and Toyota Production Consulting, are generally the internal consulting teams of Japanese industry that sought to increase revenues by offering their services first to their supply chains and subsequently to external clients. Although all major overseas consultancies now have offices in Japan, their focus is less on offering operational improvements and more on helping Japanese companies internationalise or introduce new technology (Table 5).

Although Japan has 22% union membership (roughly the OECD average), its unions tend to have more harmonious and co-operative relationships with employers (OECD 2014). Whilst consultants are rarely initiators of shop-floor change in Japan, this is not due to union intransigence towards consultants, but, rather, down to the preferences of Japanese managers for internal advice [21].

Education

Locke and Spender (2011) argue that highly networked post-war Japanese corporations prized process over content-based management. This emphasises interpersonal relationships, consensus building, tacit learning and company specific knowledge, rather than US-style models and steps of management and change. Consequently, 'US business school education…. was irrelevant' in Japan (ibid. p. 32) [27; 28]. Whilst major Japanese universities have now opened business schools, relatively few home students attend these because Japanese corporations regard graduate students as similarly qualified to undergraduate students (Yonezawa 2011). Hence, MBA programmes are often dominated by overseas students, and business education, when it happens, invariably focuses on technical issues rather than strategy (Yonezawa 2011). Japanese caution towards US-style management education (and knowledge) is shared by top graduates who tend to choose *keiretsu* organisations over consultancies for employment (Kipping, 2002) [29].

Before concluding on our analysis, it is worth reflecting on the conceptual insights gained from the Japanese case. We sought to illustrate how the identified drivers might operate and interact in practice. In this regard, there appears to be a balance of drivers *for* greater consultant use (for example, being a highly developed economy with large, complex industries and few barriers to entering the profession) and *against* their use (being a relatively insular, communitarian culture with low levels of formal management education, few institutionalised relationships with consultants, and several state and industry sponsored alternatives). This balance fits Japan's outlier position regarding consulting use in advanced economies. Below, we consider the contribution of the case, but also of our framework more generally, before pointing to future research opportunities.

Conclusion

Across many disciplines, external management consultancy usage is represented not only as highly significant, but also often as universal. Yet, as we have seen, the majority of consultancy usage is concentrated within a few Western developed economies, and explanations for such variation are limited. Transaction cost or social embeddedness approaches to the decision-making process of buyers in general (e.g. Armbrüster, 2010) invariably fail to distinguish between consultancy and other sources of external management advice and overlook the wider national social and political contexts of such decisions (Kipping and Wright 2012; Mohe 2008).

To explain national variations in consultancy usage, we induced five drivers (the economy; the state; culture and ideology; organisations and their relationships and; education) deriving from international comparative analyses of management practices. We then introduced demand- and supply-side perspectives (Guillén, 2001) to show how national variations in consulting use are driven by these factors, developing both specific and general hypotheses. We applied this framework briefly to Japan where the drivers and several hypotheses were confirmed as expedient and collectively exhaustive for our purposes. However, this raised further questions and possibilities for conceptual development.

Our analysis is important in three respects. Firstly, the management knowledge and consulting field has stressed the need for such an account (e.g. Kipping and Wright; 2012; Mohe 2008). Such calls recognise the value of understanding both knowledge and consulting use in context, and the dynamic processes involved. Secondly, the explanatory framework developed here is potentially useful for understanding variation in other sources of management knowledge, both internal and external. Indeed, there is, as yet, no research examining variations in adoption of management ideas cross-nationally in conjunction with the role of different actors. Thus, our research expands upon survey-based studies of general innovation (Battisti and Stoneman, 2010), and addresses the gap in research explaining international variation in usage of different channels for adoption. It could subsequently be applied to industry associations, business schools, think-tanks, management gurus and training. Finally, by tracing national variation and indeed, concentration in consulting use, we *de-naturalise* the (primarily US and northern

European) assumption in management and organisation studies that consultancy is the 'go to' source of external management expertise.

The paper has some limitations and areas for development. First, space limited us to one case-study. It would be instructive to undertake a comparative analysis to evaluate the drivers and their interrelationships. One could explore comparatively extreme contexts, such as where consulting use is low (e.g. Faust and Schneider, 2014), declining (e.g. Wright and Kwon, 2006) or surprising (Tempel and Walgenbach 2007). Similarly, the framework could be utilised to examine knowledge sources or national '*knowledge regimes*' which are structured differently to those in business (e.g. medical, technical, academic, economic policy) (see Campbell and Pedersen, 2014). Second, although our case was short and the analysis failed to unearth any significant omissions from the framework, we found five hypotheses which we had insufficient data to apply [7;8;16; 20; 24]. Furthermore, an extensive study could obtain data to examine the effects of these and other drivers and weight them all by importance, identifying interdependencies and dynamic relations (see Marano and Kostova, 2016). Third, the paper focused on *national* variations. Yet, several of the enablers and constraints covered, including the law, operate at a trans- or inter-national level (Seabroke, 2014). Indeed, the EU is the originator of much of the legislation which forces public sector organisations to undertake competitive tendering for consultancy. Future studies might examine the inter-relationships between regional, national and transnational levels. Similarly, we underscored some of the dynamics *within* nations that can explain further the national picture, such as industrial sector profiles and organisation size. These areas of future research would both aid understanding of consultancy and its position relative to other sources of management knowledge, which, in turn, would reveal policy options in the field of management and organisational learning.

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